



# Appendix D

Kaiser Permanente

August 5, 2008

Greg Franklin  
Assistant Executive Officer  
CalPERS  
400 Q Street  
Sacramento, CA 95815

Re: Single Administrator

Dear Greg,

Kaiser Permanente has long valued its relationship with CalPERS as one of our largest and most important customers. And we understand the importance of our role as your largest health plan. With regards to the Single Administrator proposal, we have an opportunity to expand our partnership and shape the way health care services are provided to CalPERS members. We believe that CalPERS needs a unique solution and that Kaiser Permanente brings unique capabilities to make that solution a reality. This solution goes beyond the financing of medical care. We propose to address the health, market structure, and geographic issues that are at the heart of the current health care challenge for CalPERS. In doing so, we bring substantial capabilities to the table in both the delivery and management of health care and health plan functions.

CalPERS is uniquely positioned to take a major leadership role in the California health care crisis by innovating new ways to improve the health of its enrollees and reconfigure care in this state. We are excited to have the opportunity to join with you in this effort and believe that joining together both the influence and capabilities of our respective organizations would best achieve that goal. In order to achieve that goal, a great deal of work needs to be focused on the following areas:

#### **SOLUTIONS FOCUSED ON CARE DELIVERY**

We believe that the central emphasis must be on restructuring the delivery of care for CalPERS enrollments and significantly improving the health of enrollees through better prevention and optimal treatment for those with chronic conditions.

To support CalPERS in reaching its goals and "changing the game" of health care in California, Kaiser Permanente will focus on four key areas:

- addressing underlying drivers of health and productivity through wellness and prevention
- care strategies that address the highest-cost 10 to 20 percent of the CalPERS population
- managing care to the most appropriate setting and modality
- reorienting market incentives for plans, providers, and individual members towards health and cost effectiveness.

## **WELLNESS, PREVENTION, ELECTRONIC MEDICAL RECORD**

Kaiser Permanente's clinical capabilities are already well known to CalPERS—huge medical staff and facilities infrastructure in California, award-winning disease management programs, long-term commitment to prevention and wellness. We expect to extend our direct delivery of care to more enrollees through innovative approaches such as expanding the geographic reach of our specialized services and centers of excellence by accepting referrals from rural areas around our medical centers. We also will explore the operation of new clinics and telemedicine to address the needs of underserved rural populations where appropriate.

We are one of the most functional, most respected, and innovative providers of health information and services on the Internet. Our wellness services available on kp.org are market leading and include a personal health risk appraisal and customized health improvement programs. Hundreds of thousands of members have participated, and have experienced positive and sustained results in weight and stress reduction and smoking cessation. These programs will be offered to all CalPERS enrollees.

## **MARKET-SPECIFIC CONSIDERATIONS**

In providing a single-source solution to CalPERS, a key consideration is the diversity of health care markets in California, which suggests that a "one size fits all" approach will not work. Kaiser Permanente will establish a market-specific approach and use other existing care delivery assets in each area to produce the best results. We will begin by sorting CalPERS' markets into types and designing an approach for each that best reflects the realities of the existing infrastructure, competitive dynamics, and concentration of CalPERS enrollment.

In all areas we will utilize approaches that directly manage care with particular focus on those with chronic conditions using evidenced based protocols. Where possible, we will augment those strategies with others that can use competition among providers to achieve our goals.

## **KAISER PERMANENTE CAPABILITIES THAT SUPPORT CalPERS STRATEGY**

Kaiser Permanente has substantial administrative capabilities in membership accounting and premium billing, claims processing, and member service call centers all delivered in the State of California at high volumes. We will deploy many of these resources to support a comprehensive administrative solution for CalPERS.

## **FINANCIAL RELATIONSHIP**

We will work with CalPERS to create an innovative contract that uses a variety of payment approaches appropriate to an innovative partnership, such as current fully insured coverage, gain sharing, and risk sharing approaches based on self-insurance and performance-based incentives to name a few.

## **PARTNERSHIP**

Kaiser Permanente is well poised to be your single administrator. We are also open to working with other like-minded organizations to help CalPERS accomplish its goals.

We look forward to participating in the workshop on August 19, 2008 to discuss the Single Administrator concept further.

Sincerely,

Strategic Account Offices  
50 Iron Pointe Circle, Suite 120  
Folsom, CA 95630

A handwritten signature in black ink that reads "David Henka". The signature is written in a cursive style. To the right of the signature is a vertical red line.

David Henka  
Director, CalPERS Business Line

cc     Jerry Fleming  
         Mike Higgins  
         Kristi Courtney